

**WEBSTER COUNTY SCHOOL DISTRICT**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**WEBSTER COUNTY SCHOOL DISTRICT**  
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**for the year ended June 30, 2009**

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# *Michael L. Overby, CPA, PLLC*

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*2201 Westerfield Drive, Suite C*

*Providence, KY. 42450*

## **INDEPENDENT AUDITOR'S REPORT**

State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Webster County School District, as of June 30, 2009 and for the year then ended, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Webster County School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I (*General Audit Requirements*), Appendix II (*State Audit Requirements*), and Appendix III (*Electronic Submission*) of the *Independent Auditor's Contract*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 18, 2009 on my consideration of Webster County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Webster County School District's basic financial statements. The combining statements and

individual non major fund schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Webster County School District. The combining statements and individual fund schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Michael L. Overby CPA, PLLC". The signature is written in a cursive, flowing style.

Michael L. Overby CPA, PLLC  
September 18, 2009

**WEBSTER COUNTY SCHOOL DISTRICT  
DIXON, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDING JUNE 30, 2009**

As management of the Webster County School District (District or School District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ending June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information found in the body of the audit.

**FINANCIAL HIGHLIGHTS**

1. The beginning Governmental Fund Balance for the District was \$1,811,359. The ending balance was \$8,931,790, which was an increase of \$7,120,431, which was the result of a new bond issue (see highlight No. 2).
2. The Webster County School District Finance Corporation issued school building revenue bonds, series of 2008 on December 10, 2008 in the amount of \$9,995,000. The proceeds from the sale will be used for the renovation of Webster County High School.
3. The continuation of the renovation of Webster County High School resulted in additional costs of \$3,375,092.
4. At June 30, 2009, the school district had \$17,670,575 in bonds outstanding, of with \$8,666,425 is to be paid from the SFCC funding provided by the Commonwealth of Kentucky. \$1,679,378 in principal and interest will be required to service the outstanding bonds during the next year. No bonds were refunded or refinanced during the year.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements. The district's basic financial statements have three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information of all the district's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, operation and maintenance of plant, student transportation and operation of non-institutional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10-11 of this report.

**Fund Financial statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three (3) categories: governmental, proprietary, and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is for food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements will be found on pages 12-15 of this report.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

## GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (*e.g.*, land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the year ending June 30, 2009

Noncurrent Assets	16,877,099	14,310,406	2,566,693
<b>Total Assets</b>	<u>27,691,674</u>	<u>16,605,890</u>	<u>11,085,784</u>
Current Liabilities	2,689,772	1,062,684	1,627,088
Noncurrent Liabilities	17,801,076	8,896,789	8,904,287
<b>Total Liabilities</b>	<u>20,490,848</u>	<u>9,959,473</u>	<u>10,531,375</u>
Net Assets			
Investment in Capital Assets (net of debt)	(1,729,015)	4,862,095	(6,591,110)
Restricted	7,226,310	832,237	6,394,073
Unreserved Fund Balance	1,703,531	952,085	751,446
<b>Total Net Assets</b>	<u>\$ 7,200,826</u>	<u>\$ 6,646,417</u>	<u>\$ 554,409</u>

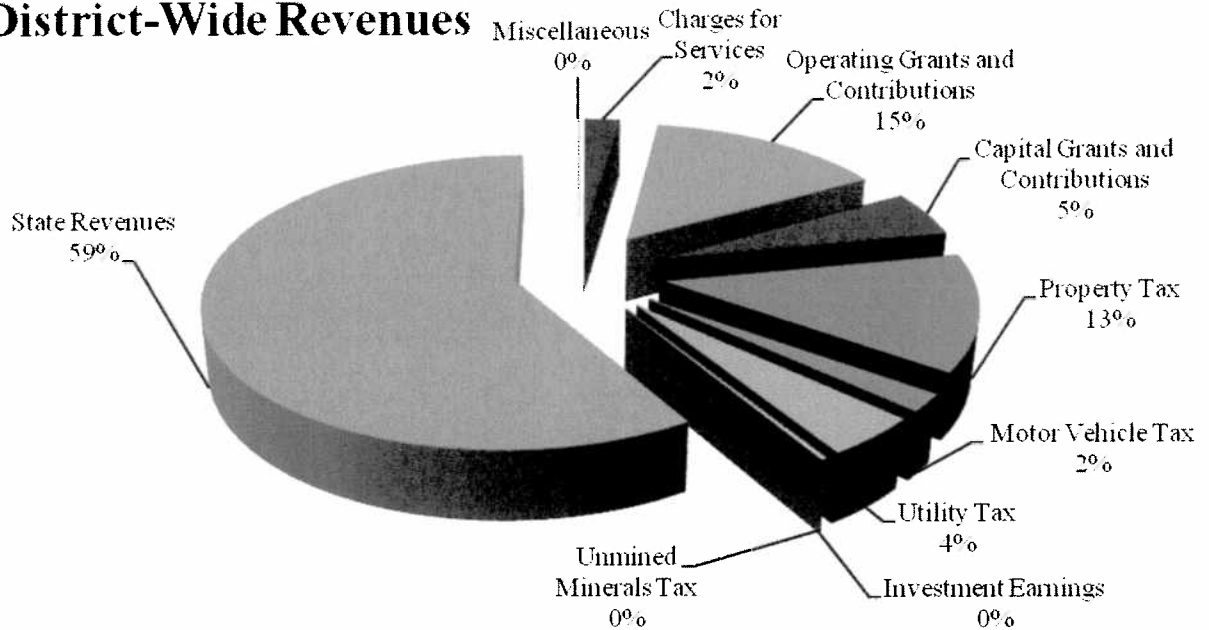
**Changes in Net Assets for the year ending June 30, 2009**

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Charges for Services	\$ -	\$ 466,933	\$ 466,933
Operating Grants and Contributions	2,144,203	977,432	3,121,635
Capital Grants and Contributions	1,072,663	-	1,072,663
Property Tax	2,726,141	-	2,726,141
Motor Vehicle Tax	410,257	-	410,257
Utility Tax	918,457	-	918,457
Unmined Minerals Tax	7,108	-	7,108
Investment Earnings	44,613	1,596	46,209
State Revenues	12,442,944	-	12,442,944
Other	18,985	-	18,985
<b>Total Revenues</b>	<b>19,785,371</b>	<b>1,445,961</b>	<b>21,231,332</b>
<b>Expenses</b>			
Instruction	9,784,729	-	9,784,729
Student Support Services	1,041,918	-	1,041,918
Instructional Support	1,402,632	-	1,402,632
District Administration	496,940	-	496,940
School Administration	1,006,799	-	1,006,799
Business Support	313,439	-	313,439
Plant Operations	2,002,539	-	2,002,539
Student Transportation	1,220,814	-	1,220,814
Community Service	198,689	-	198,689
Food Service	-	1,375,221	1,375,221
Interest on Long Term Debt	567,004	-	567,004
Depreciation of Assets	845,497	-	845,497
Transfers	(44,776)	44,776	-
<b>Total Expenses</b>	<b>18,836,224</b>	<b>1,419,997</b>	<b>20,256,221</b>
<b>Net Change in Assets</b>	<b>\$ 949,147</b>	<b>\$ 25,964</b>	<b>\$ 975,111</b>

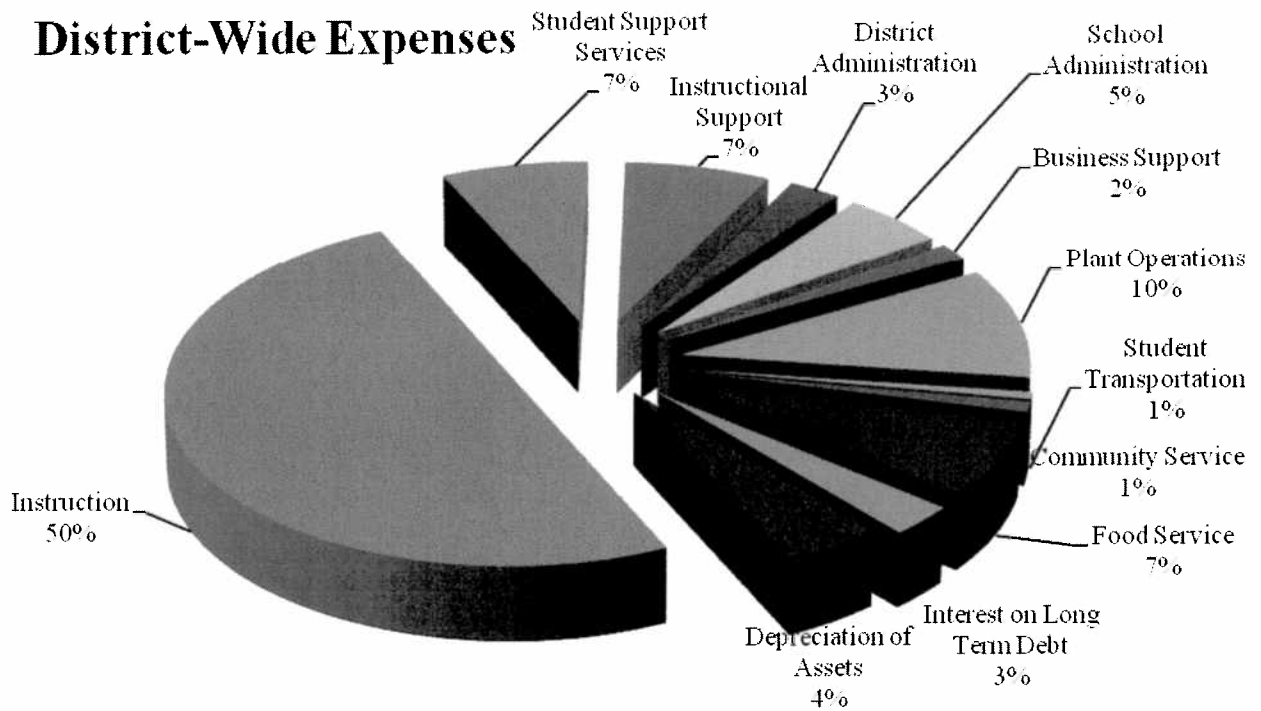
- The District's total revenues were \$21,231,332 and the total expenditures were \$20,256,221, which resulted in a net increase in Assets of \$975,111 for the year.
- State and Federal Revenues accounted for 59% of total revenues and local taxes account for 19%.



## District-Wide Revenues



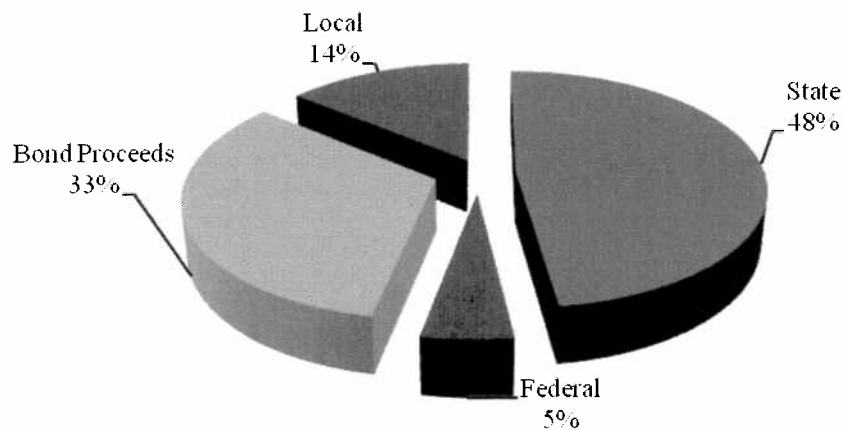
## District-Wide Expenses



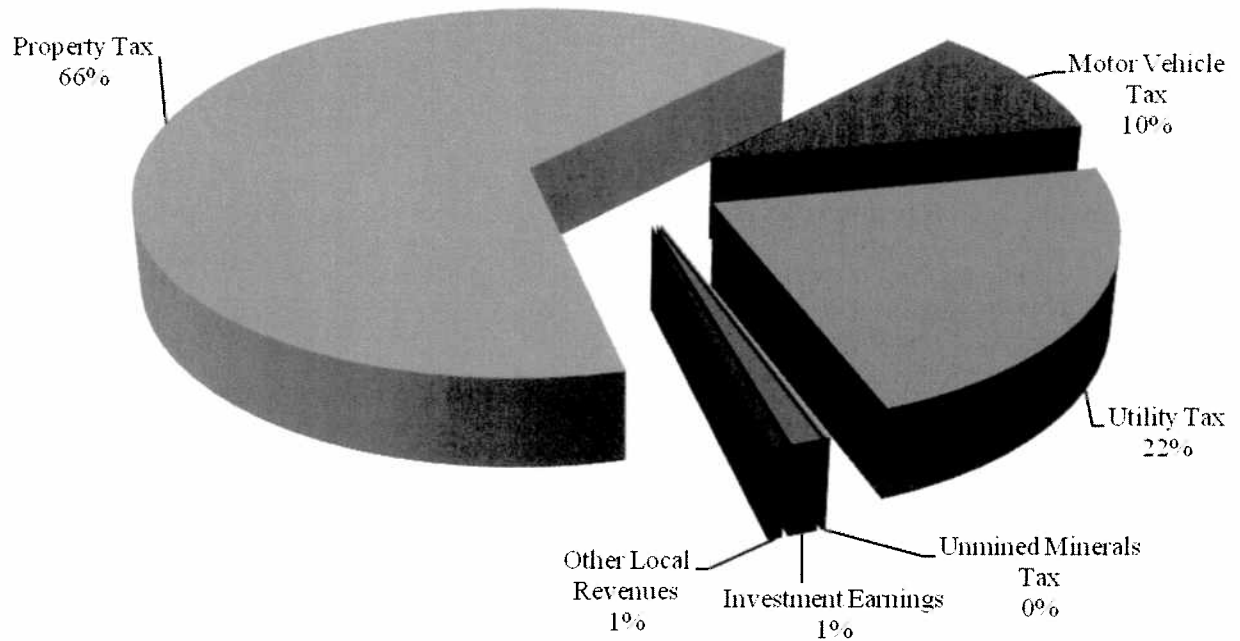
## GOVERNMENTAL FUNDS HIGHLIGHTS

- The General Fund revenues for the year were \$16,282,875, with \$12,442,944 of this coming from state revenues and the remaining \$3,794,616 from local sources.
- Total General Fund Expenditures were \$15,399,270, with instruction cost being the largest area at \$8,822,180.
- The net excess of revenues over expenses was \$863,005 and resulting in an increase in fund balance of \$632,879.
- The Special Revenue fund expenditures for the year were \$2,090,399. The two major sources of revenues for these grants were State Grants totaling \$655,357 and Federal Grants totaling \$1,460,561.
- The Other Governmental Funds included Facility construction costs totaling \$3,406,342.
- The Other Governmental Funds also included Debt Service payments of \$1,565,048, broken down as \$998,044 for principal payments, \$567,004 for interest and bank fees.
- The total ending fund balances at June 30, 2009 were \$1,842,469 in the General Fund and \$7,089,321 in Other Governmental funds for a total of \$8,931,790.

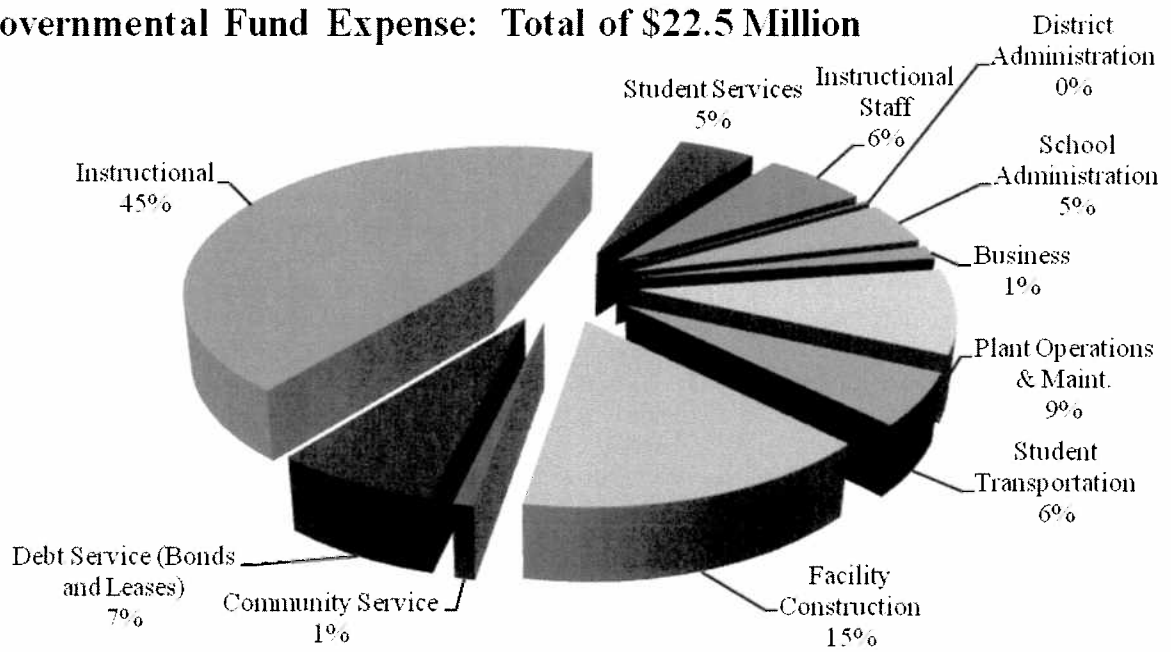
### Governmental Fund Revenues Total of \$29.5 Million



### Local Revenues: Total of \$4.1 Million



### Governmental Fund Expense: Total of \$22.5 Million



## **COMMENTS ON GENERAL FUND BUDGET COMPARISONS**

- The actual Revenues and Expenses both include \$3,231,572 of On-Behalf payments that are not included in the original or final budgets. These represent payments for employee benefits paid at the state level on behalf of the local school district. The comments below are net of these on-behalf payments.
- The total revenues were \$3.4 Million better than the final budget. All the items of revenue were better than budget. The major revenue line items better than budget were \$446 Thousand in property taxes. 28 Thousand in motor vehicle taxes and 318 Thousand in utility taxes.
- Total expenditures were over budget by 1.8 Million. However, the actual included 3.2 Million of On-Behalf expenses with no corresponding budget. Actual expenses were 5.0 Million better than budget excluding these two items.
- The majority of this favorable expenses variance was in Instruction at 342 Thousand, followed by Student Support at 139 Thousand, and District Administration at 138 Thousand below budget. There were no functional areas over budget when the on-behalf expenses are considered.

## **FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2009-2010 with a 3% contingency. However, the current economic conditions are a major concern. The local budget contingency includes reserved funds for state economic shortfalls which will be used, if necessary, to protect the current level of direct classroom instruction.

## **REPORT PURPOSE AND CONTACT INFORMATION:**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any uestions about this report or need additional information, these inquiries should be directed to:

Jackie Miles, Treasurer  
Webster County Schools at 28 St Rt 1340 in Dixon, KY 42409  
Phone: 270-639-0114 or Email: [jackie.miles@webster.kyschools.us](mailto:jackie.miles@webster.kyschools.us)

**WEBSTER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,802,887	\$ 91,016	\$ 1,893,903
Inventory	-	61,314	61,314
Receivables:			
Taxes	178,973	-	178,973
Accounts Receivable	10,034	-	10,034
Intergovernmental - State	50,530	-	50,530
Intergovernmental - Federal	76,851	-	76,851
Intergovernmental - Indirect Federal	-	189,809	189,809
Restricted Cash	8,353,161	-	8,353,161
<b>Total Current Assets</b>	<u>10,472,436</u>	<u>342,139</u>	<u>10,814,575</u>
<b>Noncurrent Assets</b>			
Capital Assets, Net of Accumulated Depreciation	16,755,368	121,731	16,877,099
<b>Total Noncurrent Assets</b>	<u>16,755,368</u>	<u>121,731</u>	<u>16,877,099</u>
<b>Total Assets</b>	<u>27,227,804</u>	<u>463,870</u>	<u>27,691,674</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	99,275	2,738	102,013
Deferred Revenue	131,273	-	131,273
Payable from Restricted Assets	1,259,948	-	1,259,948
Current Portion of Bond Obligations	968,325	-	968,325
Current Portion of Capital Lease Obligations	176,563	-	176,563
Current Portion of Accrued Sick Leave	50,150	1,500	51,650
<b>Total Current Liabilities</b>	<u>2,685,534</u>	<u>4,238</u>	<u>2,689,772</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Bond Obligations	16,702,250	-	16,702,250
Noncurrent Portion of Capital Lease Obligations	758,976	-	758,976
Noncurrent Portion of Accrued Sick Leave	326,850	13,000	339,850
<b>Total Noncurrent Liabilities</b>	<u>17,788,076</u>	<u>13,000</u>	<u>17,801,076</u>
<b>Total Liabilities</b>	<u>20,473,610</u>	<u>17,238</u>	<u>20,490,848</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	(1,850,746)	121,731	(1,729,015)
Restricted for:			
Encumbrances	23,651	-	23,651
Capital Projects	6,855,886	-	6,855,886
Debt Service	60	-	60
KETS Technology	216,713	-	216,713
Other Purposes	130,000	-	130,000
Unrestricted	1,378,630	324,901	1,703,531
<b>Total Net Assets</b>	<u>\$ 6,754,194</u>	<u>\$ 446,632</u>	<u>\$ 7,200,826</u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ (9,784,729)	\$ -	\$ 1,122,705	\$ -	\$ (8,662,024)	\$ -	\$ (8,662,024)
Support Services:							
Student	(1,041,918)	-	67,520	-	(974,398)	-	(974,398)
Instruction Staff	(1,402,632)	-	714,552	-	(688,080)	-	(688,080)
District Administrative	(496,940)	-	-	-	(496,940)	-	(496,940)
School Administrative	(1,006,799)	-	-	-	(1,006,799)	-	(1,006,799)
Business	(313,439)	-	-	-	(313,439)	-	(313,439)
Plant Operation and Maintenance	(2,002,539)	-	-	-	(2,002,539)	-	(2,002,539)
Student Transportation	(1,220,814)	-	93,965	-	(1,126,849)	-	(1,126,849)
Facilities Acquisition and Construction	-	-	-	1,072,663	1,072,663	-	1,072,663
Community Service Activities	(198,689)	-	145,461	-	(53,228)	-	(53,228)
Interest on Long-Term Debt	(567,004)	-	-	-	(567,004)	-	(567,004)
Depreciation	(845,497)	-	-	-	(845,497)	-	(845,497)
<b>Total Governmental Activities</b>	<b>(18,881,000)</b>	<b>-</b>	<b>2,144,203</b>	<b>1,072,663</b>	<b>(15,664,134)</b>	<b>-</b>	<b>(15,664,134)</b>
<b>Business-Type Activities:</b>							
Food Service	(1,375,221)	466,933	977,432	-	-	69,144	69,144
<b>Total Business-Type Activities</b>	<b>(1,375,221)</b>	<b>466,933</b>	<b>977,432</b>	<b>-</b>	<b>-</b>	<b>69,144</b>	<b>69,144</b>
<b>Total Primary Government</b>	<b>\$ (20,256,221)</b>	<b>\$ 466,933</b>	<b>\$ 3,121,635</b>	<b>\$ 1,072,663</b>	<b>(15,664,134)</b>	<b>69,144</b>	<b>(15,594,990)</b>
<b>General Revenues:</b>							
Taxes:							
					2,726,141	-	2,726,141
					410,257	-	410,257
					7,108	-	7,108
					918,457	-	918,457
					44,613	1,596	46,209
					18,985	-	18,985
					12,442,944	-	12,442,944
					44,776	(44,776)	-
					949,147	25,964	975,111
					5,805,047	420,668	6,225,715
					\$ 6,754,194	\$ 446,632	\$ 7,200,826

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	General Fund	Special Revenue Fund	Construction Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,802,887	\$ -	\$ -	\$ -	\$ 1,802,887
Receivables:					
Taxes	178,973	-	-	-	178,973
Accounts Receivable	10,034	-	-	-	10,034
Intergovernmental - State	-	50,530	-	-	50,530
Intergovernmental - Federal	-	76,851	-	-	76,851
Restricted Cash	-	220,605	8,115,834	16,722	8,353,161
<b>Total Assets</b>	<u>\$ 1,991,894</u>	<u>\$ 347,986</u>	<u>\$ 8,115,834</u>	<u>\$ 16,722</u>	<u>\$ 10,472,436</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 99,275	\$ -	\$ -	\$ -	\$ 99,275
Current Portion of Accrued Sick Leave	50,150	-	-	-	50,150
Deferred Revenue	-	131,273	-	-	131,273
Payable from Restricted Assets	-	-	1,259,948	-	1,259,948
<b>Total Liabilities</b>	<u>149,425</u>	<u>131,273</u>	<u>1,259,948</u>	<u>-</u>	<u>1,540,646</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	23,651	-	-	-	23,651
Sick Leave	130,000	-	-	-	130,000
Technology	-	216,713	-	-	216,713
Debt Service	-	-	-	60	60
Capital Projects Fund	-	-	6,855,886	-	6,855,886
Unreserved and Undesignated, Reported In:					
General Fund	1,688,818	-	-	-	1,688,818
Debt Service Fund	-	-	-	16,662	16,662
<b>Total Fund Balances</b>	<u>1,842,469</u>	<u>216,713</u>	<u>6,855,886</u>	<u>16,722</u>	<u>8,931,790</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,991,894</u>	<u>\$ 347,986</u>	<u>\$ 8,115,834</u>	<u>\$ 16,722</u>	<u>\$ 10,472,436</u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

Total fund balances - governmental funds		\$ 8,931,790
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:

Cost	\$ 29,635,968	
Accumulated depreciation	<u>(12,880,600)</u>	16,755,368

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:

Bonds payable	\$ (17,670,575)	
Capital lease obligations	(935,539)	
Noncurrent portion of accrued sick leave	<u>(326,850)</u>	<u>(18,932,964)</u>

Net assets of governmental activities		<u><u>\$ 6,754,194</u></u>
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The accompanying notes are an integral part of these financial statements.



**WEBSTER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
From Local Sources:					
Taxes:					
Property	\$ 2,416,070	\$ -	\$ -	\$ 310,071	\$ 2,726,141
Motor Vehicle	410,257	-	-	-	410,257
Unmined Mineral	7,108	-	-	-	7,108
Utility	918,457	-	-	-	918,457
Earnings on Investments	23,739	1,439	19,435	-	44,613
Other Local Revenues	18,985	-	-	-	18,985
Intergovernmental - Local	-	2,970	-	-	2,970
Intergovernmental - State	12,442,944	655,357	-	1,072,663	14,170,964
Intergovernmental - Indirect Federal	25,315	1,460,561	-	-	1,485,876
<b>Total Revenues</b>	<u>16,262,875</u>	<u>2,120,327</u>	<u>19,435</u>	<u>1,382,734</u>	<u>19,785,371</u>
<b>Expenditures</b>					
Current:					
Instruction	8,822,180	1,018,673	-	-	9,840,853
Support Services:					
Student	974,398	67,520	-	-	1,041,918
Instruction Staff	688,080	714,552	-	-	1,402,632
District Administrative	496,940	-	-	-	496,940
School Administrative	1,006,799	-	-	-	1,006,799
Business	313,439	-	-	-	313,439
Plant Operation and Maintenance	2,002,539	-	-	-	2,002,539
Student Transportation	1,126,849	93,965	-	-	1,220,814
Community Service Activities	3,000	195,689	-	-	198,689
Capital Outlay:					
Facilities Acquisition and Construction	-	-	3,375,092	31,250	3,406,342
Debt Service:					
Principal	-	-	-	998,044	998,044
Interest	-	-	-	567,004	567,004
Contingency	(34,954)	-	-	-	(34,954)
<b>Total Expenditures</b>	<u>15,399,270</u>	<u>2,090,399</u>	<u>3,375,092</u>	<u>1,596,298</u>	<u>22,461,059</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>863,605</u>	<u>29,928</u>	<u>(3,355,657)</u>	<u>(213,564)</u>	<u>(2,675,688)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds From Sale of Bonds	-	-	9,751,343	-	9,751,343
Transfers In	44,776	58,930	-	1,097,420	1,201,126
Transfers Out	(275,502)	(13,654)	-	(867,194)	(1,156,350)
<b>Total Other Financing Sources (Uses)</b>	<u>(230,726)</u>	<u>45,276</u>	<u>9,751,343</u>	<u>230,226</u>	<u>9,796,119</u>
<b>Net Change in Fund Balance</b>	<u>632,879</u>	<u>75,204</u>	<u>6,395,686</u>	<u>16,662</u>	<u>7,120,431</u>
<b>Fund Balance, July 1, 2008</b>	<u>1,209,590</u>	<u>141,509</u>	<u>460,200</u>	<u>60</u>	<u>1,811,359</u>
<b>Fund Balance, June 30, 2009</b>	<u>\$ 1,842,469</u>	<u>\$ 216,713</u>	<u>\$ 6,855,886</u>	<u>\$ 16,722</u>	<u>\$ 8,931,790</u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds \$ 7,120,431

Amounts reported for governmental activities in the statements of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense:

Capital outlays	\$ 3,427,512	
Depreciation expense	<u>(845,497)</u>	2,582,015

The issuance of long-term debt provides current financial resources to governmental  
funds, while the repayment of the principal of long-term debt consumes the  
current financial resources of governmental funds. Neither transaction, however,  
has any effect on net assets.

Principal payments on bonds	\$ 798,625	
Principal payments on lease obligations	199,419	
Proceeds from issuance of bonds	(9,995,000)	
Bond issue costs	<u>243,657</u>	<u>(8,753,299)</u>

Change in net assets of governmental activities		<u>\$ 949,147</u>
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The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Food Service Fund
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 91,016
Inventory	61,314
Accounts Receivable	
Intergovernmental - Indirect Federal	<u>189,809</u>
<b>Total Current Assets</b>	<u>342,139</u>
<b>Noncurrent Assets</b>	
Capital Assets	803,659
Less: Accumulated Depreciation	<u>(681,928)</u>
<b>Total Noncurrent Assets</b>	<u>121,731</u>
<b>Total Assets</b>	<u>463,870</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	2,738
Accrued Sick Leave	<u>1,500</u>
<b>Total Current Liabilities</b>	<u>4,238</u>
<b>Noncurrent Liabilities</b>	
Accrued Sick Leave	<u>13,000</u>
<b>Total Noncurrent Liabilities</b>	<u>13,000</u>
<b>Total Liabilities</b>	<u>17,238</u>
<b>Net Assets</b>	
Invested in Capital Assets	121,731
Unrestricted	<u>324,901</u>
<b>Total Net Assets</b>	<u><u>\$ 446,632</u></u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Food Service Fund
<b>Operating Revenues:</b>	
Lunchroom Sales	\$ 436,904
Special Functions	21,405
Other Operating Revenues	<u>8,624</u>
<b>Total Operating Revenues</b>	<u>466,933</u>
<b>Operating Expenses:</b>	
Salaries and Wages	451,063
Employee Benefits	194,783
Contract Services	36,853
Materials and Supplies	657,531
Depreciation	27,308
Other Operating Expenses	<u>7,683</u>
<b>Total Operating Expenses</b>	<u>1,375,221</u>
<b>Operating Loss</b>	<u>(908,288)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Federal Grants	773,967
Donated Commodities	105,064
State Grants	98,401
Interest Income	1,596
Transfers to General Fund	<u>(44,776)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>934,252</u>
<b>Income (Loss)</b>	25,964
<b>Net Assets, July 1, 2008 &lt;Restated&gt;</b>	<u>420,668</u>
<b>Net Assets, June 30, 2009</b>	<u><u>\$ 446,632</u></u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Cash Flows from Operating Activities**

Cash Received from:	
Lunchroom Sales	\$ 436,904
Government Grants	773,967
Other Activities	30,029
Cash Paid To/For:	
Employees	(560,209)
Supplies	(609,039)
Other Activities	(7,683)

<b>Net Cash Provided (Used) by Operating Activities</b>	<u>63,969</u>
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**Cash Flows from Non Capital Financing Activities**

Transfers to General Fund	<u>(44,776)</u>
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**Cash Flows from Investing Activities**

Receipt of Interest Income	<u>1,596</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	20,789
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<b>Balances, Beginning of Year</b>	<u>70,227</u>
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<b>Balances, End of Year</b>	<u><u>\$ 91,016</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash Provided  
(Used) by Operating Activities

Operating Loss	\$ (908,288)
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Adjustments to Reconcile Operating Income to Net Cash Provided  
(Used) by Operating Activities

Depreciation	27,308
Commodities Received	105,064
Government Grants	872,368
Change in Assets and Liabilities	
Receivables	(20,382)
Inventory	(10,352)
Accounts Payable	(1,749)

<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 63,969</u></u>
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**Schedule of Non-Cash Transactions:**

Donated Commodities Received from Federal Government	\$ 105,064
Benefits Paid by State of Kentucky on Behalf of District	<u>85,637</u>

<b>Total Non-Cash Transactions</b>	<u><u>\$ 190,701</u></u>
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The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009**

	Fiscal Agent Funds	Agency Funds	Total Fiduciary Net Assets
<b>Assets</b>			
Cash and Cash Equivalent	\$ 12,705	\$ 271,192	\$ 283,897
Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>12,705</u>	<u>271,192</u>	<u>283,897</u>
<b>Liabilities</b>			
Accounts Payable	589	6,228	6,817
Due to Student Groups	<u>-</u>	<u>264,964</u>	<u>264,964</u>
<b>Total Liabilities</b>	<u>589</u>	<u>271,192</u>	<u>271,781</u>
<b>Net Assets Held in Trust</b>	<u><u>\$ 12,116</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,116</u></u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Fiscal Agency Fund</u>
<b>Additions</b>	
State Aid	<u>\$ 53,673</u>
<b>Total Additions</b>	<u>53,673</u>
<b>Deductions</b>	
Salaries and benefits	36,112
Purchased services	<u>7,183</u>
<b>Total Deductions</b>	<u>43,295</u>
<b>Changes in Net Assets</b>	10,378
<b>Net Assets, Beginning of Year</b>	<u>1,738</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 12,116</u></u>

The accompanying notes are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1. Reporting Entity**

The Webster County Board of Education (Board), a five member group, is a level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Webster County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Webster County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Webster County School District has one blended component unit.

Blended Component Unit:

Webster County School District Finance Corporation - The Webster County, Kentucky, Board of Education has established the Webster County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Webster County Board of Education also comprise the Corporation's Board of Directors.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds.



## 2. Summary of Significant Accounting Policies, Continued

### (a) Basis of Presentation, Continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District had the following funds:

#### Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

## 2. Summary of Significant Accounting Policies, Continued

### (a) Basis of Presentation, Continued

- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 42 through 43. This is a major fund of the District.
- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).
  - (a) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan.
  - (b) The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - (c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

### Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The School Food Service Fund (the District's only enterprise fund) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

## 2. Summary of Significant Accounting Policies, Continued

### (a) Basis of Presentation, Continued

#### Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The District has no trust funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

### (b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include; (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

### (c) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

## 2. Summary of Significant Accounting Policies, Continued

### (c) Capital Assets, Continued

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold, as stated below, with the exception of computers and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives, listed below, for both general capital assets and proprietary fund assets.

Description	Capitalization Thresholds	Estimated Lives For Depreciation
Buildings and Improvements	\$ 25,000	25-50 Years
Land Improvements	\$ 25,000	20-25 Years
Technology Equipment	\$ 1,000	5 Years
Vehicles	\$ 5,000	5-10 Years
Food Service Equipment	\$ 1,000	12 Years
Furniture and Fixtures	\$ 1,000	7-20 Years
Other	\$ 1,000	10-15 Years

### (d) Cash and Cash Equivalents/Restricted Cash/Investments

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements and in debt service funds per debt agreements. (See Note 7 & 8)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 4)

## **2. Summary of Significant Accounting Policies, Continued**

### **(d) Cash and Cash Equivalents/Restricted Cash/Investments, Continued**

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase.

The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

### **(e) Inventories/Commodities**

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method.

For the purposes of the statement of cash flows, federal grants received does not include noncash commodities received in the amount of \$105,064.

### **(f) Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts, premiums and issuance costs are recorded as other assets in the government-wide financial statements and are amortized on a straight line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## **2. Summary of Significant Accounting Policies, Continued**

### **(g) Net Assets and Fund Balance**

#### District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects – The component of net assets that reports the financial resources restricted to pay for construction activities.

Restricted for KETS Program – The component of net assets that reports the amount of required matching transfers from the general fund in excess of expenditures. These funds are restricted for use of the KETS program.

Restricted for Debt Service – The component of net assets that reports the financial resources restricted to pay debt service on capital related debt less current accrual of interest.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for KETS Program, or Net Assets Restricted for Debt Service.

#### Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

### **(h) Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

### **(i) Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible

## **2. Summary of Significant Accounting Policies, Continued**

### **(i) Interfund Activity, Continued**

for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due-to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### **(j) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **(k) Accrued Sick Leave**

The Webster County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to certified employees with twenty or more years of experience and classified employees with ten or more years of experience.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accrued sick leave” in the general fund. The noncurrent portion of the liability is not reported.

## **3. Property Taxes**

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the Webster County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 45.8 cents per \$100 of assessed valuation on real estate and 45.8 cents per \$100 on personal property, of which 6.0 cents is for participation in the Facility Support Program, and 48.0 cents per \$100 of assessed valuation on motor vehicles.

## **4. Cash and Cash Equivalents**

At June 30, 2009, the carrying amount of the District's cash and cash equivalents was \$10,530,961 and the bank balance was \$10,951,355. As of June 30, 2009, All accounts were covered by the FDIC or securities pledged in the District's name.

#### 4. Cash and Cash Equivalents, Continued

The District's cash and cash equivalents at June 30, 2009:

	<u>Bank Balance</u>	<u>Book Balance</u>
Independence Bank	\$ 10,687,622	\$ 10,274,976
Integra Bank	19,028	18,831
Sebree Deposit Bank	30,161	29,969
Dixon Bank	214,484	207,125
JP Morgan	<u>60</u>	<u>60</u>
	<u>\$ 10,951,355</u>	10,530,961
Restricted Cash		<u>8,353,161</u>
Unrestricted Cash and Cash Equivalents		<u>\$ 2,177,800</u>
Reported in the Financial Statement:		
Governmental Funds		\$ 1,802,887
Proprietary Funds		91,016
Fiduciary Funds		<u>283,897</u>
		<u>\$ 2,177,800</u>

#### 5. Restricted Cash

Restricted Cash at June 30, 2009 consists of the following:

Special Revenue	\$ 220,605
Capital Projects Fund	
Construction Fund	8,115,834
Debt Service Fund	<u>16,722</u>
Total Restricted Cash	<u>\$ 8,353,161</u>



## 6. Capital Assets

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities:				
Not depreciated:				
Land	\$ 554,365	\$ -	\$ -	\$ 554,365
Construction in progress	1,190,005	3,375,092	-	4,565,097
	<u>1,744,370</u>	<u>3,375,092</u>	<u>-</u>	<u>5,119,462</u>
Depreciated:				
Land Improvements	648,134	-	-	648,134
Buildings and improvements	19,468,486	-	-	19,468,486
Technology equipment	1,937,616	52,420	(722,984)	1,267,052
Vehicles	2,681,991	-	(84,909)	2,597,082
General	535,752	-	-	535,752
	<u>25,271,979</u>	<u>52,420</u>	<u>(807,893)</u>	<u>24,516,506</u>
Totals at historical cost	<u>27,016,349</u>	<u>3,427,512</u>	<u>(807,893)</u>	<u>29,635,968</u>
Less: accumulated depreciation				
Land Improvements	(348,628)	(26,843)	-	(375,471)
Buildings and improvements	(9,067,262)	(426,983)	-	(9,494,245)
Technology equipment	(1,230,800)	(211,858)	722,984	(719,674)
Vehicles	(1,811,897)	(152,511)	84,909	(1,879,499)
General	(384,409)	(27,302)	-	(411,711)
	<u>(12,842,996)</u>	<u>(845,497)</u>	<u>807,893</u>	<u>(12,880,600)</u>
Total accumulated depreciation	<u>(12,842,996)</u>	<u>(845,497)</u>	<u>807,893</u>	<u>(12,880,600)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 14,173,353</u>	<u>\$ 2,582,015</u>	<u>\$ -</u>	<u>\$ 16,755,368</u>
Business-Type Activities:				
Depreciated:				
Food service equipment	\$ 731,630	\$ -	\$ -	\$ 731,630
Technology equipment	54,280	-	-	54,280
Vehicle	17,749	-	-	17,749
Total at historical cost	<u>803,659</u>	<u>-</u>	<u>-</u>	<u>803,659</u>
Less: accumulated depreciation				
Food service equipment	(593,987)	(23,236)	-	(617,223)
Technology equipment	(44,659)	(2,297)	-	(46,956)
Vehicle	(15,974)	(1,775)	-	(17,749)
Total accumulated depreciation	<u>(654,620)</u>	<u>(27,308)</u>	<u>-</u>	<u>(681,928)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 149,039</u>	<u>\$ (27,308)</u>	<u>\$ -</u>	<u>\$ 121,731</u>

## 7. Long-Term Debt

The original amount of each issue, the issue date and interest rate are summarized below:

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
2001	Renovations - Dixon Elementary	\$ 1,550,000	4.60%	2021
2001	91 Refunding	1,070,000	4.00-4.25%	2012
2004	94 Refunding	2,880,000	1.90-3.625%	2016
2005	HVAC - Clay Elementary	2,085,000	3.90%	2026
2006	Renovations - Slaughters Elementary	900,000	3.90%	2027
2008	Renovations - WCHS	9,995,000	3.00-4.875%	2028
(A)KISTA - 1999	HVAC - Providence Elementary	131,000	4.00-5.35%	2012
(A)KISTA - 1998	Renovations - Providence Elementary	400,000	4.60-5.15%	2018
(A)KISTA - 1998	Renovations - Providence Elementary	131,000	4.15-5.10%	2018
(A) - 1998	91 Refunding	1,050,000	3.50-4.00%	2011
(A)KISTA - 1999	Cafeteria - Providence Elementary	378,000	3.85-4.95%	2019
(A)KISTA - 2003	Renovations - Providence Elementary	280,000	1.50-4.70%	2023
(A) - 2004	95 Refunding	410,000	1.30-3.50%	2015
(A) - 2004	Renovations - Restrooms Povidence Elementary	300,000	4.625%	2024

(A) These bonds and KISTA loans were assumed by the Webster County School District through the merger agreement dated December 12, 2006

The district, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in the amount sufficient to satisfy debt service requirements on bonds issued by the Webster County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding

In connection with the school revenue bonds and KISTA Series, the District entered into "participation agreements" with the school facility construction commission. The commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the commission for each year until maturity of all bond issues and KISTA Series. The liability for the total amount remains with the district and as such, the total principal outstanding has been recorded in the financial statements.

The bonds and series may be called prior to maturity and redemption premiums are specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum requirements of the District including amounts to be paid by the commission at June 30, 2009, for debt service (principal and interest) are as follows:

## 7. Long-Term Debt, Continued

Year	Webster County Board of Education		School Facilities Construction Commission		Total Requirements		Bonds Outstanding
	Interest	Bonds	Interest	Bonds	Interest	Bonds	
2009-2010	\$ 359,289	\$ 475,831	\$ 351,764	\$ 492,494	\$ 711,053	\$ 968,325	\$ 17,670,575
2010-2011	342,865	488,475	334,969	518,950	677,834	1,007,425	16,702,250
2011-2012	326,700	454,713	314,335	490,037	641,035	944,750	15,694,825
2012-2013	309,858	468,205	298,356	400,270	608,214	868,475	14,750,075
2013-2014	292,569	476,203	283,689	414,222	576,258	890,425	13,881,600
2014-2015	274,768	500,814	268,187	415,936	542,955	916,750	12,991,175
2015-2016	255,307	523,113	252,159	420,337	507,466	943,450	12,074,425
2016-2017	231,380	414,097	235,151	435,928	466,531	850,025	11,130,975
2017-2018	214,311	438,778	216,710	453,172	431,021	891,950	10,280,950
2018-2019	196,800	430,618	197,623	448,382	394,423	879,000	9,389,000
2019-2020	179,124	454,547	179,203	440,453	358,327	895,000	8,510,000
2020-2021	160,598	472,802	160,592	457,198	321,190	930,000	7,615,000
2021-2022	140,988	464,555	141,058	390,445	282,046	855,000	6,685,000
2022-2023	121,664	489,655	124,293	405,345	245,957	895,000	5,830,000
2023-2024	101,259	508,885	106,657	401,115	207,916	910,000	4,935,000
2024-2025	79,627	526,827	88,674	398,173	168,301	925,000	4,025,000
2025-2026	56,688	458,230	70,077	416,770	126,765	875,000	3,100,000
2026-2027	36,038	393,330	50,178	436,670	86,216	830,000	2,225,000
2027-2028	19,838	307,196	29,043	457,804	48,881	765,000	1,395,000
2028-2029	6,271	257,276	9,085	372,724	15,356	630,000	630,000
<u>Total</u>	<u>\$ 3,705,942</u>	<u>\$ 9,004,150</u>	<u>\$ 3,711,803</u>	<u>\$ 8,666,425</u>	<u>\$ 7,417,745</u>	<u>\$ 17,670,575</u>	-

During the year ended June 30, 2009, the following changes occurred in long term debt:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due Within One Year
<b>Governmental Activities:</b>					
Revenue Bonds:					
Issue of 2001	\$ 1,150,000	\$ -	\$ 65,000	\$ 1,085,000	\$ 70,000
Issue of 2001 <Refunding>	425,000	-	105,000	320,000	100,000
Issue of 2004	2,325,000	-	250,000	2,075,000	260,000
Issue of 2005	1,930,000	-	165,000	1,765,000	85,000
Issue of 2006	890,000	-	10,000	880,000	10,000
Issue of 2008	-	9,995,000	-	9,995,000	230,000
KISTA - 1997	46,000	-	11,000	35,000	11,000
KISTA - 1998	305,000	-	14,000	291,000	12,000
KISTA - 1998	79,200	-	6,625	72,575	6,325
Issue of 1998 <Refunding>	310,000	-	100,000	210,000	105,000
KISTA - 1999	249,000	-	17,000	232,000	19,000
KISTA - 2003	230,000	-	10,000	220,000	10,000
Issue of 2004 <Refunding>	275,000	-	35,000	240,000	40,000
Issue of 2004	260,000	-	10,000	250,000	10,000
	<u>8,474,200</u>	<u>9,995,000</u>	<u>798,625</u>	<u>17,670,575</u>	<u>968,325</u>
Accrued Sick Leave	<u>377,000</u>	<u>-</u>	<u>-</u>	<u>377,000</u>	<u>50,150</u>
	<u>\$ 8,851,200</u>	<u>\$ 9,995,000</u>	<u>\$ 798,625</u>	<u>\$ 18,047,575</u>	<u>\$ 1,018,325</u>
<b>Business-Type Activities:</b>					
Accrued Sick Leave	<u>\$ 13,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,500</u>	<u>\$ 1,500</u>

## 8. Capital Lease Obligations

The District has entered into lease agreements with KISTA for financing the acquisitions of school buses and with Central Kentucky Educational Cooperative for financing the acquisitions of technology equipment. The following is an analysis of leased property under capital lease by class:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 1,337,930	\$ 747,009
Technology Equipment	\$ 192,289	\$ -

The following is a schedule, by years, of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2009.

<u>Year Ending</u>	<u>KISTA Leases</u>	<u>CKEC Leases</u>	<u>Total Payments</u>
2010	\$ 168,335	\$ 38,457	\$ 206,792
2011	151,669	38,457	190,126
2012	138,693	19,232	157,925
2013	129,255	-	129,255
2014	119,669	-	119,669
2015-2018	254,686	-	254,686
Total Minimum Lease Payments	962,307	96,146	1,058,453
Lease Amount Representing Interest	(122,914)	-	(122,914)
Present Value of Net Minimum Lease Payments	<u>\$ 839,393</u>	<u>\$ 96,146</u>	<u>\$ 935,539</u>

### Participation Agreement CKEC 2006 Lease:

The Commonwealth of Kentucky has guaranteed Coal Severance funds will be available to provide assistance in paying lease obligations for a two year period. Receipts from the State are recorded as intergovernmental – state revenue in the debt service fund.

During the year ended June 30, 2009, the following changes occurred in the capital lease obligations:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2009</u>	<u>Due in One Year</u>
KISTA 98	\$ 17,251	\$ -	\$ 17,251	\$ -	\$ -
KISTA 00	24,907	-	12,150	12,757	12,757
KISTA 00	35,575	-	12,787	22,788	11,144
KISTA 01	24,101	-	6,177	17,924	6,458
KISTA 04	75,971	-	12,581	63,390	12,906
KISTA 05	126,700	-	17,410	109,290	17,936
KISTA 06	252,112	-	29,276	222,836	25,345
KISTA 07	282,892	-	31,808	251,084	29,101
KISTA 03(P)	28,504	-	5,762	22,742	5,913
KISTA 04(P)	35,732	-	5,917	29,815	6,070
KISTA 08	96,610	-	9,843	86,767	10,476
CKEC - P 06	83,309	-	23,802	59,507	23,802
CKEC - D 06	51,294	-	14,655	36,639	14,655
	<u>\$ 1,134,958</u>	<u>\$ -</u>	<u>\$ 199,419</u>	<u>\$ 935,539</u>	<u>\$ 176,563</u>

## **9. Retirement Plans**

### **KTRS**

The Webster County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The matching contributions are paid by the federal programs for any salaries paid by that program. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). The Webster County School District's total payroll for the year was \$11,755,519. The payroll for employees covered under KTRS was \$8,351,701. For the year ended June 30, 2009, the Commonwealth contributed \$1,079,886 to KTRS for the benefit of our participating employees. The District's contributions to KTRS for the years ending June 30, 2009, 2008 and 2007 were \$64,786, \$54,693, and \$31,309, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

### **CERS**

Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS). CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Section 61.645 of the Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-564-4646.

Plan members are required to contribute 5% of their annual creditable compensation and the District is required to contribute at an actuarially determined rate. The current rate is 13.50% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by KRS Board of Trustees. The District's contributions to CERS for the years ended June 30, 2009, 2008 and 2007 were \$385,392, \$465,668, and \$313,172, respectively, equal to the required contributions for each year.

### **Other**

The District also offers employees the option to participate in defined contribution plans under Sections 401(k) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

## **10. Contingencies**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As shown in Note 8 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series. In the unlikely event the KSFCC defaults on their portion of the bond series, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2009, was \$8,666,425.

## **11. Litigation**

The District is involved in a litigation the outcome of which is not determinable at this time. Administration officials and legal counsel do not anticipate that there will be any material effect on the financial statements as a result of this case presently in progress.

## **12. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **13. COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

#### 14. Transfer of Funds

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 58,930
Capital Projects (SEEK)	Debt Service	\$ 161,273
Capital Projects (FSPK)	Debt Service	\$ 705,921
Food Service	General	\$ 44,776
General	Debt Service	\$ 216,572
Special Revenue	Debt Service	\$ 13,654

#### 15. Commitments

The District has the following outstanding construction projects, as evidenced by BG-1 forms, as of June 30, 2009.

<u>Projects</u>	<u>Total Commitment</u>	<u>Incurred To Date</u>	<u>Commitment Remaining</u>
Eric Hogg Fieldhouse	\$ 113,654	\$ 53,206	\$ 60,448
WCHS Renovation	\$ 326,233	\$ 262,935	\$ 63,298
WCHS Gym	\$ 10,190,677	\$ 3,776,065	\$ 6,414,612
WCHS Soccer	\$ 115,431	\$ 48,687	\$ 66,744

#### 16. On-Behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2009. The amounts are included in the General Fund and Food Service Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments and the state operated vocational education payments are recorded as additional instruction expense and the health insurance, life insurance and flexible spending (net of fees) payments are allocated to the various expense functions based on a ratio of employees. In the Food Services Fund, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 1,079,896
Health Insurance, Life Insurance, Flexible Spending Plan	
Net of Administrative Fees	1,945,615
State Operated Vocational Ed Schools	186,184
IDU Technology	19,877
	<u>          </u>
	<u>\$ 3,231,572</u>

**17. Deficit Operating Fund Balances**

The District did not have any funds with a deficit operating fund balance as of June 30, 2009

**18. Beginning Net Assets Restated**

The net assets as previously reported have been restated due to the merger of the Providence Independent School District with the Webster County School District. The beginning balances of capital assets and leases payable were decreased.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, June 30, 2008	\$ 6,226,506	\$ 419,911
Capital Assets, Net	(260,613)	757
Leases Payable	<u>(160,846)</u>	<u>-</u>
Net Assets, Restated	<u>\$ 5,805,047</u>	<u>\$ 420,668</u>



**WEBSTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
From Local Sources				
Taxes				
Property	\$ 1,969,656	\$ 1,969,656	\$ 2,416,070	\$ 446,414
Motor Vehicle	382,275	382,275	410,257	27,982
Unmined Mineral	60,000	60,000	7,108	(52,892)
Utility	600,000	600,000	918,457	318,457
Other Taxes	223,500	223,500	-	(223,500)
Earnings on Investments	60,000	60,000	23,739	(36,261)
Tuition	5,000	5,000	-	(5,000)
Other Local Revenues	4,000	4,000	18,985	14,985
Intergovernmental - State	9,455,400	9,455,400	12,442,944	2,987,544
Intergovernmental - Indirect Federal	20,000	20,000	25,315	5,315
<b>Total Revenues</b>	<b>12,779,831</b>	<b>12,779,831</b>	<b>16,262,875</b>	<b>3,483,044</b>
<b>Expenditures</b>				
Current:				
Instruction	7,111,115	7,111,115	8,822,180	(1,711,065)
Support Services:				
Student	868,042	868,042	974,398	(106,356)
Instruction Staff	668,064	668,064	688,080	(20,016)
District Administrative	562,832	562,832	496,940	65,892
School Administrative	827,381	827,381	1,006,799	(179,418)
Business	327,514	327,514	313,439	14,075
Plant Operation and Maintenance	1,906,926	1,906,926	2,002,539	(95,613)
Student Transportation	974,724	974,724	1,126,849	(152,125)
Contingency	349,201	349,201	(34,954)	384,155
Community Service Activities	1,187	1,187	3,000	(1,813)
<b>Total Expenditures</b>	<b>13,596,986</b>	<b>13,596,986</b>	<b>15,399,270</b>	<b>(1,802,284)</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(817,155)</b>	<b>(817,155)</b>	<b>863,605</b>	<b>1,680,760</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	44,925	44,925	44,776	(149)
Operating Transfers Out	(256,273)	(256,273)	(275,502)	(19,229)
<b>Total Other Financing Sources (Uses)</b>	<b>(211,348)</b>	<b>(211,348)</b>	<b>(230,726)</b>	<b>(19,378)</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,028,503)</b>	<b>(1,028,503)</b>	<b>632,879</b>	<b>1,661,382</b>
<b>Fund Balance, July 1, 2008</b>	<b>1,028,503</b>	<b>1,028,503</b>	<b>1,209,590</b>	<b>181,087</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,842,469</b>	<b>\$ 1,842,469</b>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
From Local Sources				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor Vehicle	-	-	-	-
Unmined Mineral	-	-	-	-
Utility	-	-	-	-
Earnings on Investments	102	102	409	307
Other Local Revenues	-	-	-	-
Intergovernmental - Local	-	-	2,970	2,970
Intergovernmental - State	707,402	707,402	655,357	(52,045)
Intergovernmental - Indirect Federal	1,411,458	1,411,458	1,460,561	49,103
<b>Total Revenues</b>	<u>2,118,962</u>	<u>2,118,962</u>	<u>2,119,297</u>	<u>335</u>
<b>Expenditures</b>				
Current:				
Instruction	975,924	975,924	1,018,672	(42,748)
Support Services:				
Student	73,380	73,380	67,520	5,860
Instruction Staff	936,384	936,384	827,489	108,895
District Administrative	-	-	-	-
School Administrative	-	-	-	-
Business	-	-	-	-
Plant Operation and Maintenance	-	-	-	-
Student Transportation	120,030	120,030	93,965	26,065
Contingency	-	-	-	-
Community Service Activities	193,545	193,545	195,689	(2,144)
<b>Total Expenditures</b>	<u>2,299,263</u>	<u>2,299,263</u>	<u>2,203,335</u>	<u>95,928</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(180,301)</u>	<u>(180,301)</u>	<u>(84,038)</u>	<u>96,263</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	180,301	180,301	172,897	(7,404)
Operating Transfers Out	-	-	(13,655)	(13,655)
<b>Total Other Financing Sources (Uses)</b>	<u>180,301</u>	<u>180,301</u>	<u>159,242</u>	<u>(21,059)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>75,204</u>	<u>75,204</u>
<b>Fund Balance, July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>141,509</u>	<u>141,509</u>
<b>Fund Balance, June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,713</u>	<u>\$ 216,713</u>

**WEBSTER COUNTY SCHOOL DISTRICT  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR BUDGETARY PROCESS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Budgetary Process**

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for on-behalf payments. The Kentucky Department of Education does not permit Kentucky school districts to budget on-behalf payments. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

**Reconciliation between the Budgetary Basis of Accounting and GAAP**

**General Fund**

A basis difference exists in the general fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District. The difference relates to on-behalf payments. The Kentucky Department of Education prohibits Kentucky school districts from including on-behalf payments in the budget process. Line item differences are as follows:

Revenues						
Intergovernmental - State	\$	12,442,944	\$	15,293,350	\$	2,850,406
Expenditures:						
Instruction		8,822,180		10,737,395		1,915,215
Support Services:						
Student		974,398		1,113,003		138,605
Instructional Staff		688,080		753,000		64,920
District Administration		496,940		568,807		71,867
School Administration		1,006,799		1,206,364		199,565
Business		313,439		326,182		12,743
Plant Operations Maintenance		2,002,539		2,197,100		194,561
Student Transportation		1,126,849		1,379,779		252,930

**Special Revenue Fund**

There were no material variances between GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

**WEBSTER COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Restricted Cash	8,724	7,938	60	16,722
<b>Total Assets</b>	<u>\$ 8,724</u>	<u>\$ 7,938</u>	<u>\$ 60</u>	<u>\$ 16,722</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Reserved for Capital Projects	-	-	-	-
Reserved for Debt Service	-	-	60	60
Unreserved and Undesignated	8,724	7,938	-	16,662
<b>Total Fund Balances</b>	<u>8,724</u>	<u>7,938</u>	<u>60</u>	<u>16,722</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,724</u>	<u>\$ 7,938</u>	<u>\$ 60</u>	<u>\$ 16,722</u>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From Local Sources:				
Taxes:				
Property	\$ 310,071	\$ -	\$ -	\$ 310,071
Intergovernmental - State	404,574	200,461	467,628	1,072,663
<b>Total Revenues</b>	<u>714,645</u>	<u>200,461</u>	<u>467,628</u>	<u>1,382,734</u>
<b>Expenditures</b>				
Capital Outlay:				
Facilities Acquisition and Construction	-	31,250	-	31,250
Debt Service:				
Principal	-	-	998,044	998,044
Interest	-	-	567,004	567,004
<b>Total Expenditures</b>	<u>-</u>	<u>31,250</u>	<u>1,565,048</u>	<u>1,596,298</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>714,645</u>	<u>169,211</u>	<u>(1,097,420)</u>	<u>(213,564)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	1,097,420	1,097,420
Transfers Out	(705,921)	(161,273)	-	(867,194)
<b>Total Other Financing Sources (Uses)</b>	<u>(705,921)</u>	<u>(161,273)</u>	<u>1,097,420</u>	<u>230,226</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>8,724</u>	<u>7,938</u>	<u>-</u>	<u>16,662</u>
<b>Fund Balance, July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>
<b>Fund Balance, June 30, 2009</b>	<u><u>\$ 8,724</u></u>	<u><u>\$ 7,938</u></u>	<u><u>\$ 60</u></u>	<u><u>\$ 16,722</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES**  
**ALL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

School	Cash Balances July 1, 2008	Receipts	Disbursements	Cash Balances June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Fund Balances June 30, 2009
Webster County High School	\$ 115,619	\$ 322,564	\$ 319,607	\$ 118,576	\$ -	\$ 2,167	\$ 116,409
Ashmore Scholarship	49,654	1,093	1,500	49,247	-	-	49,247
Clay Elementary	19,525	104,283	104,977	18,831	-	986	17,845
Dixon Elementary	19,964	82,736	73,500	29,200	-	225	28,975
Hogg Scholarship	1,695	29	500	1,224	-	-	1,224
Providence Elementary	6,638	29,526	31,635	4,529	-	-	4,529
Sebree Elementary	17,090	73,601	60,723	29,968	-	2,850	27,118
Slaughters Elementary	14,347	24,873	28,481	10,739	-	-	10,739
Waggoner Scholarship	9,176	202	500	8,878	-	-	8,878
WC Middle Athletics	13,439	-	13,439	-	-	-	-
TOTAL	\$ 267,147	\$ 638,907	\$ 634,862	\$ 271,192	\$ -	\$ 6,228	\$ 264,964

Note: Included in receipts and disbursements are interfund transfers of \$ 105,016.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES**  
**WEBSTER COUNTY HIGH SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Cash Balances July 1, 2008	Receipts	Disbursements	Cash Balances June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Fund Balances June 30, 2009
Academic Team	\$ 6	\$ 253	\$ 129	\$ 130	\$ -	\$ -	\$ 130
Agriculture	967	2,063	2,433	597	-	-	597
Annual	11,111	17,719	14,931	13,899	-	-	13,899
Art Technology	282	345	486	141	-	-	141
Athletic	26,710	49,649	62,102	14,257	-	67	14,190
Athletic - Boys BB	1,822	4,500	4,243	2,079	-	-	2,079
Athletic - Girls BB	4,860	4,423	7,062	2,221	-	-	2,221
Band	414	205	518	101	-	-	101
Baseball	140	6,095	5,424	811	-	-	811
Beta	136	854	782	208	-	-	208
Book Rewards	6,021	977	6,998	-	-	-	-
Bookfund	651	-	651	-	-	-	-
Bookstore	261	632	790	103	-	-	103
Calculator	-	3,155	2,848	307	-	-	307
Charitable	-	2,175	2,175	-	-	-	-
Cheerleaders	3,717	14,363	17,710	370	-	-	370
Class of '08	536	-	536	-	-	-	-
Class of '09	29	536	565	-	-	-	-
Class of '10	692	5,330	6,022	-	-	-	-
Class of '11	-	1,170	802	368	-	-	368
Clay PTA Scholarship	314	-	85	229	-	-	229
Cross Country - Boys	1,082	3,173	3,248	1,007	-	-	1,007
Cross Country - Girls	1,135	903	1,013	1,025	-	-	1,025
Culinary Skills	916	418	790	544	-	-	544
Dance Team	841	420	448	813	-	-	813
Drinks - Teachers Lounge	424	900	1,204	120	-	-	120
F.B.L.A.	326	551	796	81	-	-	81
F.F.A.	3,888	21,955	20,419	5,424	-	1,500	3,924
FACS	697	3,407	3,988	116	-	-	116
FCA	60	160	140	80	-	-	80
FCCLA	1,908	4,437	5,450	895	-	-	895
Football	-	10,176	5,152	5,024	-	-	5,024
General Fund	6,763	43,479	38,693	11,549	-	-	11,549
Girls Softball	128	1,726	804	1,050	-	-	1,050
Graduation	537	441	957	21	-	-	21
Greenhouse	4,120	4,744	3,198	5,666	-	-	5,666
Guidance	93	3,384	2,941	536	-	-	536
Inst. Math	(164)	400	95	141	-	-	141
Inst. Science	713	4,971	4,859	825	-	-	825
Lance	2,013	1,315	2,643	685	-	-	685
Library	960	700	902	758	-	-	758
Mock Trial	-	2,663	1,032	1,631	-	-	1,631
Performing Arts	47	291	261	77	-	-	77
Physical Education	1,027	571	1,213	385	-	-	385
Power Lifting	143	528	118	553	-	-	553
Project Graduation	1,635	15,555	15,983	1,207	-	-	1,207
Quiz Bowl	793	201	740	254	-	-	254
R.C.	7,602	4,437	6,990	5,049	-	-	5,049
Renaissance	2,229	5,385	2,583	5,031	-	-	5,031
Scholarships	3,043	2,550	800	4,793	-	600	4,193
Seabee Scholarships	334	100	113	321	-	-	321
Senior Class Trip	812	34,237	33,182	1,867	-	-	1,867
Soccer	180	1,550	909	821	-	-	821
Spanish	245	-	28	217	-	-	217
Student Council	-	720	388	332	-	-	332
Tennis - Boys	252	791	337	706	-	-	706
Tennis - Girls	479	736	578	637	-	-	637
Textbook Rental	8,603	16,178	10,016	14,765	-	-	14,765
Track - Boys	92	3,102	1,325	1,869	-	-	1,869
Track - Girls	487	2,935	1,311	2,111	-	-	2,111
Trojan Bank Scholarship	1,071	-	200	871	-	-	871
T-Shirt	799	4,131	4,930	-	-	-	-
Volleyball	-	450	-	450	-	-	450
Young Politicians	506	282	160	628	-	-	628
Youth Experiencing Success	131	3,067	1,378	1,820	-	-	1,820
<b>TOTAL</b>	<b>\$ 115,619</b>	<b>\$ 322,564</b>	<b>\$ 319,607</b>	<b>\$ 118,576</b>	<b>\$ -</b>	<b>\$ 2,167</b>	<b>\$ 116,409</b>

**WEBSTER COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>FEDERAL CFDA#</b>	<b>AGENCY OR PASS- THROUGH NUMBER</b>	<b>FEDERAL DISBURSEMENTS/ EXPENDITURES</b>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
PASSED THRU STATE DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	N/A	\$ 168,424
NATIONAL SCHOOL LUNCH PROGRAM	10.555	N/A	424,503
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	N/A	<u>181,240</u>
TOTAL CHILD NUTRITION CLUSTER			<u>774,167</u>
PASSED THRU STATE DEPARTMENT OF AGRICULTURE:			
FOOD DONATION (NOTE B)	10.550	N/A	<u>87,561</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>861,728</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
PASSED THRU STATE DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3108 3108D 3108M 3108T 3109 3109D 3149	51,619 450 5,172 7,429 454,820 37,387 10,908 <u>567,785</u>
MIGRANT EDUCATION STATE GRANT PROGRAM	84.011	3118 3119	34,723 123,819 <u>158,542</u>
SPECIAL EDUCATION CLUSTER: SPECIAL EDUCATION - GRANTS TO STATES	84.027	3378 3379	205,510 256,176 <u>461,686</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	3438 3439	21,528 30,994 <u>52,522</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>514,208</u>
EDUCATION TECHNOLOGY STATE GRANTS	84.318	4258 4259	924 5,938 <u>6,862</u>



U.S. DEPARTMENT OF EDUCATION, CONTINUED

SAFE AND DRUG FREE SCHOOLS	84.186	4067P	54
		4068	(1)
		4069	8,431
			<u>8,484</u>
PARENTS AS TEACHERS	84.310	5862	<u>445</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	3459	<u>11,777</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	3487A	533
		3488	3,789
		3488A	255
		3489	9,364
			<u>13,941</u>
IMPROVING TEACHER QUALITY	84.367	4018	53,578
COMPREHENSIVE READING		4019	107,339
IMPROVING TEACHER QUALITY			<u>160,917</u>
21ST CENTURY COMMUNITY LEARNING	84.287	5507	<u>7,518</u>
			<u>7,518</u>
NORM REFERENCED TESTING	84.369	3979	<u>1,116</u>
			<u>1,116</u>
SERVICE LEARNING	94.004	6758	1,666
		6759	4,800
			<u>6,466</u>
			<u>1,458,061</u>
			<u>\$ 2,319,789</u>

**TOTAL U.S. DEPARTMENT OF EDUCATION**

**TOTAL EXPENDITURES OF FEDERAL AWARDS**

Note A: Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of Webster County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B: Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and distributed.

**WEBSTER COUNTY SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2009**

<b><u>Board Members</u></b>	<b><u>Address</u></b>	<b><u>Term Expires</u></b>
James Nance Chairman	Sebree, Kentucky	January 1, 2013
Lisa Preston Vice Chairman	Sebree, Kentucky	January 1, 2011
Tim McCormick	Clay, Kentucky	January 1, 2011
Steve Henry	Providence, Kentucky	January 1, 2013
Dr. E Carolyn Tucker	Dixon, Kentucky	January 1, 2013
Sandi Jackson	Providence, Kentucky	January 1, 2011

**Administrative Personnel**

Dr. James A. Kemp - Superintendent and Secretary of the Board

Alan Lossner - Assistant Superintendent

Riley Ramsey – Assistant Superintendent

Jackie Miles – Treasurer



# *Michael L. Overby, CPA, PLLC*

## *Certified Public Accountant*

*2201 Westerfield Drive, Suite C*

*Providence, KY. 42450*

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webster County School District as of and for the year ended June 30, 2009, which collectively comprise the Webster County School District's basic financial statements and have issued my report thereon dated September 18, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the State Committee for School District Audits, in the *Appendix I (General Audit Requirements)*, *Appendix II (State Audit Requirements)*, and *Appendix III (Electronic Submission) of the Independent Auditor's Contract*.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Webster County School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Webster County School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Webster County School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Webster County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Webster County School District's financial statements that is more than inconsequential will not be prevented or detected by the Webster County School District's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2009-1)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Webster County School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also

considered to be material weaknesses. However, I consider the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-1.

I noted certain matters that I reported to management of Webster County School District, in a separate letter dated September 18, 2009.

Webster County School District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Webster County School District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Webster County Board of Education management, Kentucky State Committee for School District Audits, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Michael L. Overby CPA, PLLC". The signature is fluid and cursive, with the letters "CPA, PLLC" written in a slightly more formal, blocky style at the end.

Michael L. Overby CPA, PLLC  
September 18, 2009



# *Michael L. Overby, CPA, PLLC*

## *Certified Public Accountant*

*2201 Westerfield Drive, Suite C*

*Providence, KY. 42450*

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

#### Compliance

I have audited the compliance of Webster County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Webster County School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster County School District's management. My responsibility is to express an opinion on Webster County School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District Audits, in *Appendix I (General Audit Requirements)*, *Appendix II (State Audit Requirements)*, and *Appendix III (Electronic Submission) of the Independent Auditor's Contract*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Webster County School District's compliance with those requirements.

In my opinion, Webster County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Webster County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Webster County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Webster County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Webster County Board of Education management, the Kentucky State Committee for School District Audits, Kentucky Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Michael L. Overby CPA, PLLC". The signature is fluid and cursive, with the letters "CPA, PLLC" written in a slightly more formal, blocky style at the end.

Michael L. Overby CPA, PLLC  
September 18, 2009

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2009**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Webster County School District.
2. There was one significant deficiency in internal control disclosed during the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Webster County School District were disclosed during the audit.
4. There are no significant deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB A-133.
5. The auditor's report on compliance for the major federal award programs for the Webster County School District expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

- Title I	84,010
- Special Education -- Grants to States	84,027
Child Nutrition Cluster:	
- National School Lunch	10,555
- School Breakfast	10,553
- Summer Feeding	10,559
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Webster County Board of Education was determined not to be a low risk auditee.

**B. Findings-Financial Statements Audit**

2009-1 Significant Deficiency:

Fixed Assets

Expenditures for the purchase of capital assets during the year ended June 30, 2009 had not been recorded in the fixed asset module for governmental and proprietary funds. This was also a finding the previous four years.

Criteria: Expenditures for the purchase of capital assets should be properly identified and promptly recorded in the fixed asset module.

Cause: The resulting omission of capital assets from the fixed asset module occurred because procedures were not in place to ensure invoices for capital expenditures are forwarded to individuals responsible for updating and reconciling the fixed asset records.

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2009**

Recommendation: Procedures should be implemented to ensure all purchases and deletions of capital assets are promptly recorded in the fixed asset module. All items are not listed in the fixed asset module. The District should cease entering new assets until all assets from prior years are entered. This undertaking may require the use of an outside third party.

Auditee Response: A new staff member whose primary responsibility is to track assets was employed on July 1, 2008. That individual has received training in the MUNIS fixed assets module, as well as in local tracking and accounting procedures. Her job has been overwhelming and if she needs assistance, steps will be taken to see the issue is taken care of in the future.

**C. Findings and Questioned Costs - Major Federal Award Program Audit**

None

**D. Schedule of Prior Audit Findings (Relative to Federal Awards)**

None





*Michael L. Overby, CPA, PLLC*

*Certified Public Accountant*

*2201 Westerfield Drive, Suite C*

*Providence, KY. 42450*

State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky 42409

In planning and performing my audit of the financial statements of the Webster County School District for the year ended June 30, 2009, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated September 18, 2009, contains my report on reportable conditions and material weaknesses in the District's internal control structure. This letter does not affect my report dated September 18, 2009 on the financial statements of the Webster County School District.

I appreciate the opportunity to bring these comments to your attention. I have already discussed many of these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Michael L. Overby CPA, PLLC  
September 18, 2009

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Current Year Management Letter Points**

**1) Purchase Orders**

I noted instances of purchase orders not being prepared properly. Purchase orders are to be used as documentation that a purchase is properly authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice and the check date. Not only does the proper use of purchase orders and in the control of school expenses, it also protects purchases from the possibility of being denied reimbursements of purchases for school purposes. It was also discovered that the purchase request and purchase orders were signed by the principal. (Relates to all schools).

Recommendation: I recommend that purchase orders be utilized and properly completed as required by the "Red Book."

Response: Schools will be directed to comply with all rules of the "Red Book" in relation to purchase orders. Specifically, they will be directed to issue purchase orders before invoices and payments.

**2) Required Forms**

The KDOE "Red Book" requires use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Multiple receipts, (2) Fundraising, (3) Inventory control, (4) Internal account – budgets, (5) Transfers, (6) Ticket sales, and (7) Annual financing reports. I noted instances where it appeared that these forms were either not completed or completed incorrectly.

**Multiple Receipts:** Many completed by teachers (All Schools)

**Fundraising:** Same forms were either not used or used incorrectly. (Clay, Dixon)

**Inventory Control:** Some forms were either not used or used incorrectly. (Dixon)

**Transfers:** Some transfer forms not approved by principal.

**Ticket Sales:** Some forms not completed correctly. Athletic director signing all forms as person responsible for sales and not the person actually selling tickets. (WCHS, Seabee).

**Annual Financial Report:** Report not completed and signed. (Providence).

Recommendation: I recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these forms.

Response: Individual schools will be directed to follow all requirements of "Red Book" in relation to these required forms.

**3) Daily Bank Deposits**

Per the "Red Book" all money collected by a teacher/sponsor shall be given to the school treasurer on the day collected. I noted that this is not always being performed at some of the schools. (Slaughters, Providence)

Recommendation: I recommend that teacher/sponsor give money collected to the school treasurer daily in compliance with the "Red Book"

Response: Principals will be directed to direct teachers to turn in money to treasurer on the day it is collected.

4) **Booster Clubs**

The KDOE “Red Book” requires booster clubs to submit the names of club officers to the principal at the beginning of the school year in addition, an annual financial report shall be submitted to the principal by June 30. Report receipts from admissions, fundraisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances. One of the schools tested was not in substantial compliance with these requirements. (Relates to WCHS).

Recommendation: I recommend the principals increase their efforts in obtaining the required information from booster clubs.

Response: Principals will be directed to obtain required information from all booster clubs. Principals will also be directed to receive signed and dated budgets and reports.

5) **Fixed Assets**

Governmental accounting standards require that the District record and account for changes in its fixed assets, including depreciation. I noted deficiencies in the recording of fixed assets, specifically, the incorporation of the fixed assets from the Providence Independent School District following the merger, and fixed assets not being recorded on the fixed asset schedule. Also, the tagging of the fixed assets has been inconsistent with the numerical sequence of the tags. A fixed asset policy has been adopted to provide for the asset policy and controls include guidelines and procedures for centralized recording of additions and deletions to the District’s fixed asset. Noncompliance with the policy and its internal controls provides opportunities for the undetected loss of assets.

Recommendation: I recommend strict adherence to the District’s fixed asset procedures. I also recommend all fixed assets be retagged using a consistent system of number with the corresponding school location numbers being incorporated into the number.

Response: A full-time employee has been hired to be responsible for all recording of fixed asset additions and deletions and for the consistency of tags being used.

See finding 2009-1 – Significant Deficiency

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**PRIOR YEAR MANAGEMENT LETTER POINTS**

- 1) Authority Sited – The KDOE “Red Book” requires the use of specific forms (or reasonable facsimiles) and various procedures for certain activities.

Problem identified – My audit procedures revealed the following forms or procedures were not being used correctly.

	<u>WCHS</u>	<u>Clay</u>	<u>Dixon</u>	<u>Sebree</u>	<u>Slaughters</u>
Invoice dated before PO	X	X	X	X	X
Multiple receipt forms not used properly	X	X	X	X	X
School Fund raising worksheets not used properly		X	X		
Inventory control worksheets not used properly			X		X
Ended year with some deficit funds	X				
Ticket sales not accounted for properly	X			X	
General fund paid for meals for teachers PD				X	X
Monies turned in daily by teachers		X			

Recommendation – I recommend the principals and secretaries review the “Red Book” and comply with its requirements regarding the use of these forms. I suggest the secretaries attend training or have in-house training to ensure compliance.

Response – Principal and secretaries at each of the District’s schools have reviewed the “Red Book” and have been directed to follow requirements. A change in staff scheduling will ensure that deposits are made in a timely manner. Staff will train volunteers and have oversight at various activities and functions to make sure that proper forms are used, sales and tickets accounted for properly, and that activity costs are not inadvertently charged to an incorrect fund source.

**6/30/2009: See Current Year Comment**